Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Scheduled Report - public distribution

Date: 11/16/1998

GAIN Report #MX8139

Mexico

Citrus

Overall Citrus Production Down for MY 1998/99

1998

Approved by:
Franklin D. Lee
U.S. Embassy
Drafted by:
D.Flores

Report Highlights:
Mexican citrus production is expected to be down for MY 1998/99 due the effects of excessively dry weather during the first semester of calendar 1998.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
, MX

Executive Summary

The overall forecast of Mexican citrus production for MY 1998/99 shows a decrease as a result of excessive dry weather conditions that affected Mexico during the first semester of calendar year 1998, followed by excessive rains in the fall. Citrus producers have also been affected by increases in the cost of production and high interest rates. Frozen concentrate orange juice (FCOJ) production for MY 1999 is expected to be lower compared to MY 1998 due to less availability of fruit. Thus, exports of FCOJ will also likely decrease from previous levels. Unless production incentives are given to Mexican citrus fruit producers, it is unlikely that any significant expansion in production will take place in the next three to five years.

Domestic citrus consumption is also expected to be lower in 1999 due to both limited supplies and the impact of economic factors. For example, the fall of the international price of oil and the consequent downward adjustments in the Mexican federal budget will result in a slow down of economic growth. International economic problems have also impacted the Mexican peso which has been relatively unstable since July 1998. The private sector is forecasting an inflation rate of over 15 percent for 1998 from previous estimates of 12 percent. As a consequence of these events, consumer purchasing power is forecast to have a slow growth for 1999.

PRODUCTION, FRESH ORANGES

(Has) (1000 trees) (MT 1000)

PSD Table						
Country:	Mexico					
Commodity:	Oranges					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		11/1996		11/1997		11/1998
Area Planted	313000	316000	320000	323000	0	325000
Area Harvested	285000	307000	290000	314000	0	315000
Bearing Trees	57800	62100	58580	63430	0	63630
Non-Bearing Trees	5680	1820	6060	1820	0	2020
TOTAL No. Of Trees	63480	63920	64640	65250	0	65650
Production	3500	3917	3700	3900	0	2500
Imports	14	14	15	15	0	15
TOTAL SUPPLY	3514	3931	3715	3915	0	2515
Exports	8	11	9	9	0	9
Fresh Dom. Consumption	3056	3470	3056	3256	0	2116
Processing	450	450	650	650	0	390
TOTAL DISTRIBUTION	3514	3931	3715	3915	0	2515

Mexican growers and processors are both forecasting orange production for MY 1998/99 (November-October) at 35 to 45 percent lower than MY 1997/98 levels, or approximately 2.5 MMT. This lower production is a reflection of the dry weather conditions that affected Mexico during the first semester of 1998. Growers indicate that the dry weather caused flowering to drop during the first semester of 1998. Although the rainfall of September and October induced the trees to flower, orange production will still be low. The state of Veracruz is forecasting orange production at approximately 1.2 MMT from an average of 2.0 MMT. The forecast for oranges destined to processing is placed at 390,000 MT, a lower volume compared to MY 1997/98 levels due to the expected decrease in orange production.

The fresh orange production estimate for MY 1997/98 has been revised upward to 3.9 million metric tons (MMT) based on recent official data. The industry, however, estimates production at about 6 percent below the official estimates. Fresh orange production was very good for MY 1997/98 because of the good weather conditions that prevailed during the growing season. The estimates of area planted and harvested for MY 1996/97 and 1997/98 have been raised based on newly available official data. Production for MY 1996/97 has been revised upward based on official final data from the Secretariat of Agriculture (SAGAR) . The estimate for oranges destined to processing remains unchanged for MY 1996/97 and 1997/98

According to growers in Veracruz, there has been almost no growth in the area planted to oranges. In fact, whatever expansion there is, it has been offset by growers that abandon orange groves due to the high costs of production. Meanwhile, the processing industry, which buys most of the product on the market, has now begun to plant its own orchards to be on the safe side. In one area of Veracruz, some producers have found it more

profitable to plant Persian limes in place of oranges. The rate of orange expansion in other areas of the country has also been very slow. The Veracruz crop, with about 45 percent of the country's total planted area, is about 90 percent rainfed, whereas Nuevo Leon, with 8 percent of the total area planted in Mexico, is about 85 percent irrigated by well water. The cost of production is higher in Nuevo Leon than in Veracruz because of irrigation costs.

Other producer states, like Nuevo Leon, have about 24,500 hectares of oranges with no new plantings, mainly because some producers got out of the business after the 1989 freeze, and also because of limited irrigated area. Orchards have been replanted with new early-maturing Valencia trees at higher densities, ranging from 163 trees per hectare to 300 trees per hectare (average density in Veracruz is 200 trees per hectare). The higher density is an effort to help prevent frost damage. Most of the oranges of this region are geared to the fresh market because of the good quality. For MY 1998/99, production in Nuevo Leon is expected to be under 200,000 MT, down from the average of 360,000 MT due to the dry weather conditions that prevailed during the first semester of 1998. Most of the plantings of orange trees (about 37,000 has.) in the states of Tabasco, Campeche and Yucatan are in ejidos (communal farms) and are relatively new compared to Veracruz. However, the quality is still not very good and most of the crop goes mainly to the fresh market.

Costs of production for 1998 have increased for all citrus, especially for imported inputs such as fertilizers which increased about 24 percent, and for pesticides and other agrochemical products which have increased at the rate of inflation. Production costs vary among the citrus regions and between producers. The average cost of production in some areas in Veracruz for a traditional orchard with little intensive cultivation is approximately $3,475 pesos/Ha (US$344/Ha), and the average for a more intensively farmed orchard is about $8,400 pesos/Ha (US$832/Ha). Fertilization and pest control makes much of the difference between these costs of production. Average field worker wages have increased to about $30 pesos a day, but sometimes producers have to pay up to $35 pesos a day to attract enough workers. The private sector is forecasting an inflation rate of over 15 percent for 1998 from previous estimates of 12 percent. Growers also indicate that lack of credit availability, the high cost of production, coupled with wide swings in fresh orange prices and marketing problems, have limited the planting of new trees.

Country-wide orange yields in MY 1998/99 are expected to be about 7.6 MT/Ha due to the impact of the dry weather conditions. Orange yields differ widely depending on the production area. Usually, Veracruz yields range from 11 to 20 MT/Ha. In Nuevo Leon, yields range from 12 to 15 MT/Ha. In San Luis Potosi, yields range from 7 TO 13 MT/Ha. This variance in yields is caused by many factors such as weather, input levels, tree density and terrain.

Grower prices at the orchard level for MY 1998/99 began in October at about $600 pesos/MT (US$59.40) for the early varieties, but growers are now experiencing rapidly increasing prices to $1,500-$2,000 pesos/MT (US$148 to $190/MT) due to lower supplies.

CONSUMPTION, FRESH ORANGES

Fresh orange consumption during MY 1998/99 is forecast to decrease from MY 1997/98 levels as a result of lower supplies and higher prices. It is also important to note that the peso devaluation during the second half of 1998 will somewhat reduce consumer purchasing power. The consumption estimates for MY 1996/97 and 1997/98 have been revised upward based on newly available information.

ORANGE PRICES

Wholesale orange prices have been low during 1996, 1997 and the first part of 1998. For example, during the first four months of 1998, prices were even lower than in 1997, averaging $0.95 pesos/ Kg from $1.10 pesos/Kg in 1997. For the new crop, however, orange prices are expected to increase considerably compared to the last two years. For example, during the first week of November at the wholesale market, new-crop oranges from Veracruz averaged $1.50 pesos/Kg, an increase of 12 percent compared to the same period in 1997. Retail orange prices are averaging $2.30 - 5.40 pesos/Kg (US$0.22 - $0.53 /Kg). Most of the oranges in the fresh market are destined for domestic fresh squeezed juice. Due to the lower supplies of oranges expected for MY 1998/99, the industry is forecasting lower utilization of fruit for processing compared to MY 1997/98.

ORANGE PRICES (Pesos/Kg)

Year	Jan	Feb	Mar	Apr	May	Jun
1997	0.91	1.03	1.11	1.27	1.34	1.61
1998	0.94	0.90	0.95	1.03	1.41	2.74
% cng	3.3	(12.6)	(14.4)	(19.0)	5.2	70.2

Year	Jul	Aug	Sept	Oct	Nov	Dec
1997	1.83	2.44	1.88	1.14	1.05	1.03
1998	2.48	2.97	2.75	1.48	N/A	N/A
% cng	35.5	21.7	46.3	30.00	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados (SNIM)
Average exchange rate for 1997 USD$1.00 = $7.90 pesos
Exchange Rate (Nov 1998) USD$1.00 = $10.10 pesos

TRADE, FRESH ORANGES

Orange imports by Mexico have been growing slowly as more areas from the U.S. are allowed to export to Mexico. The import forecast for MY 1998/99 is 15,400 MT. Mexican orange exports are forecast to continue at the same level. Orange import and export estimates for MY 1997/98 remain unchanged, and MY 1996/97 export data has been revised upward based on new official data. Most of the oranges exported to the U.S. are from Sonora, which produces very good quality oranges. Mexico will continue to export processed oranges as peeled slices for fruit salads and other foods. According to sources, the international market is demanding more peeled fruit. The United States continues to be the largest export market for Mexican oranges. Mexican exporters are exploring Asian markets, such as Hong Kong and Japan. The fine quality of the oranges produced in the Sonora desert (about 130,000 MT) are suitable for these markets because the shipments come from the Sonora fruit fly free zone. U.S. orange exports to Mexico could expand significantly

given the decrease in the Mexican tariff and the possibilities of California, Texas and Arizona to ship to Mexico.

TRADE MATRIX

Note: Mexican and U.S. trade data differ.

ORANGES		UNITS: ***METRIC TONS***	
EXPORTS FOR 1997 TO:		**IMPORTS FOR 1997 FROM:**	
U.S.	5894	U.S.	13896
OTHER		OTHER	
ARGENTINA	413	CANADA	12
TOTAL OF OTHER	413	TOTAL OF OTHER	12
OTHERS NOT LISTED	44	OTHERS NOT LISTED	11
GRAND TOTAL	6351	GRAND TOTAL	13919

SOURCE: 1997 Global Trade Information Services, Inc.

The 1998 NAFTA tariff rate for U.S. orange exports to Mexico is now zero for all the seasons.

PRODUCTION, FRESH CITRUS, OTHER

(Has) (1000 Trees) (MT 1000)

PSD Table						
Country:	Mexico					
Commodity:	Fresh Citrus,Other					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		11/1996		11/1997		11/1998
Area Planted	103100	108394	105000	108500	0	109000
Area Harvested	94500	96625	96000	97000	0	97000
Bearing Trees	18330	18745	20370	18820	0	18820
Non-Bearing Trees	1670	2285	1745	2230	0	2330
TOTAL No. Of Trees	20000	21030	22115	21050	0	21150
Production	940	1096	965	970	0	960
Imports	2	3	2	3	0	3
TOTAL SUPPLY	942	1099	967	973	0	963
Exports	150	148	155	135	0	140
Fresh Dom. Consumption	650	806	670	693	0	679
Processing	142	145	142	145	0	144
TOTAL DISTRIBUTION	942	1099	967	973	0	963

This section covers two citrus fruits that are of economic significance to Mexico: Key limes and Persian limes. Mexican Key limes are grown mainly on the Pacific coast, in the states of Colima, Michoacan, Guerrero and Oaxaca. Most Persian limes are grown in a micro-climate called "LA HUASTECA" that includes portions of the states of Veracruz, San Luis Potosi, Tamaulipas, and Hidalgo. Also, Oaxaca and Tabasco in the southern part of Mexico are producing Persian limes.

Total production of both limes for MY 1998/99 is forecast at 960,000 MT, lower than MY 1997/98 due to dry weather conditions that affected Mexico during the first semester of 1998. Veracruz production of Persian limes was somewhat affected by the dry weather conditions, but not to the magnitude that oranges were affected. The production estimate for MY 1996/97 has been updated to reflect final official data, and production for MY 1997/98 has been raised based on new official estimates. Although there was an increase in lime production for MY 1997/98 compared to the previous forecast, weather conditions in Michoacan and Oaxaca during the winter season caused some flower drops for Key limes, and the high temperatures and dry season of the summer produced smaller fruits than average.

Area planted to both Persian limes and Key limes has increased at a low rate. Due to the export benefits of Persian limes, area for this citrus, however, has grown at a faster rate in Veracruz. Some producers in Veracruz attracted by the international market have replanted Persian limes instead of oranges or grapefruit. However, these areas are still very small. New trees are coming into production in Veracruz, Michoacan and Oaxaca. According to producers, the domestic market is saturated and therefore a sharp increase in the area planted

would only result in lower producer profits. Total area planted for MY 1998/99 is forecast at 109,000 Has. Area planted and harvested for MY 1996/97 and MY 1997/98 has been revised upward based on official data. According to SAGAR data, 13,000 Has. are currently planted with Persian limes and approximately 95,300 Has. are planted with Key limes.

The cost of production for Persian limes oriented for export purposes is higher than for oranges. Therefore, only large strong producers tend to be in this business. According to sources, Persian limes production costs increased from $8,000 pesos/Ha in 1997 to about $9,500 pesos/Ha or more due to higher prices for imported inputs such as fertilizers, pesticides and other agrochemical products. Growers indicate that smaller producers, who do not meet international standards, will eventually return to oranges again.

About 20 percent of the Persian lime orchards in Veracruz use microjet irrigation or other systems and produce all year round. Michoacan and Colima have irrigation in most of the Key lime orchards and thus are able to produce all year round. Almost all the planted area for Key lime in Guerrero and Oaxaca is non-irrigated. In Colima, in over half of the key lime orchards, coconut palm trees are planted in between Key lime trees. The purpose of this interplanting is to increase producer revenue.

Persian and Key lime yields differ widely depending on the production conditions. For example, the yields for Persian lime in Veracruz range from 5 to 12 MT/Ha. However, depending on cultural practices, there are orchards that can produce as much as 18 MT/Ha. Key lime yields range from 7 to 11 MT/Ha. A few well tended orchards will reach 30 MT/Ha. Key limes in Colima associated with coconut palm production have about a 50 percent lower yield.

Grower prices for Persian limes currently range at $400-$1,000 pesos/MT, but prices tend to rise during January to April ranging from $2,000 to $7,000 pesos/MT due to the export season. Grower prices for Key limes range from $0.90 pesos/Kg to $1.50 pesos/Kg. During the peak season harvest, from July to December, prices tend to be very low.

CONSUMPTION, FRESH CITRUS, OTHER

Domestic consumption of both Key and Persian limes in Mexico depends largely on price. Total lime consumption for MY 1998/99 is forecast at 679,000 MT, lower than MY 1997/98 consumption estimates because of expected larger export volumes. It is important to note, however, that consumption will be affected because the peso's devaluation which will somewhat reduce consumer purchasing power. The consumption estimated for MY 1996/97 and MY 1997/98 have been revised upward based on newly available data.

Most of the Mexican Key limes go to the fresh market, although there is an increasing export trend. Producers from Colima indicate that about 25-30 percent of their limes go to processors. According to growers, about 13 to 15 percent of total Key lime production goes to processing. About 60 percent of Persian limes goes to the export market and the rest go to the fresh market.

Mexican Key limes and Persian limes compete for the same market. When Key limes and Persian limes are both present in the domestic market, prices are relatively low. At the onset of the Persian lime harvest season in August or September, prices for both drop. However, after a month or two, when Persian lime growers begin to export, prices for Persian limes move up and remain higher until April or May when exports of Persian limes stop and both crops are again competing for the fresh domestic market. Key limes are currently selling at the

wholesale market at $2.80 pesos/Kg (US$0.28/Kg), while Persian limes are at $1.06 pesos/Kg (US$.10/Kg). Retail prices for Key limes at the large supermarkets are currently $4.50 pesos/Kg (US$0.45/Kg), while Persian limes are selling at $3.00 pesos/Kg (US$0.30/Kg).

KEY LIME PRICES (Pesos/Kg)

Year	Jan	Feb	Mar	Apr	May	Jun
1997	6.16	4.33	3.16	2.51	2.05	1.76
1998	3.87	3.68	2.61	2.85	2.67	2.36
% cng	(37.2)	(15.0)	(17.4)	13.5	30.2	34.1

Year	Jul	Aug	Sept	Oct	Nov	Dec
1997	1.99	2.32	2.02	2.22	1.99	2.66
1998	2.39	2.61	3.03	N/A	N/A	N/A
% cng	20.1	12.5	50.0	N/A	N/A	N/A

PERSIAN LIME PRICES (Pesos/Kg)

Year	Jan	Feb	Mar	Apr	May	Jun
1997	4.64	4.36	3.77	1.59	0.76	0.63
1998	1.74	1.62	1.67	1.88	1.21	0.93
% cng	(62.5)	(62.8)	(55.7)	18.2	59.2	47.6

Year	Jul	Aug	Sept	Oct	Nov	Dec
1997	0.63	0.68	0.60	0.74	0.65	1.33
1998	0.81	0.80	1.26	N/A	N/A	N/A
% cng	28.6	17.6	110.0	N/A	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados (SNIM)
Average exchange rate for 1997 USD$1.00 = $7.90 pesos
Exchange Rate (Nov 1998) USD$1.00 = $10.10 pesos

TRADE, FRESH CITRUS, OTHER

Persian and Key lime exports for MY 1998/99 are forecast at 140,000 MT, slightly higher than MY 1997/98 levels due to expected good international prices. Exports for MY 1997/98 fell compared to the previous forecast due to low prices in the international market and dry weather problems in the producing areas that decreased mainly the Persian lime variety. According to producers, Persian limes from Mexico supply about 40 percent of the U.S. and Canadian markets. However, lime producers are expanding new markets in Japan and Europe (6%). Lime exports for MY 1996/97 were revised downward, and lime imports were revised upward based on official data.

Mexico's tariff rate on imported limes from the United States is zero under the NAFTA. The United States' current tariff on Key limes is 1.10 US cents/Kg and for Persian limes is zero. The phase-out of this relatively small tariff is not expected to substantially increase lime imports to the United States in the short term. Mexican exports depend on U.S. demand.

TRADE MATRIX

KEY LIME & PERSIAN LIME		UNITS: ***METRIC TONS***	
EXPORTS FOR 1997 TO:		**IMPORTS FOR 1997 FROM:**	
U.S.	148,176	U.S.	3,169
OTHER		OTHER	
FRANCE	3,000		0
TOTAL OF OTHER	3,000	TOTAL OF OTHER	0
OTHERS NOT LISTED	8,236	OTHERS NOT LISTED	0
GRAND TOTAL	159,412	GRAND TOTAL	3,169

SOURCE: 1997 Global Trade Information Services, Inc.

PRODUCTION, FRESH TANGERINES

(Has) (1000 Trees) (MT 1000)

PSD Table						
Country:	Mexico					
Commodity:	Fresh Tangerines					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		11/1996		11/1997		11/1998
Area Planted	19700	19300	19700	19300	0	19300
Area Harvested	19000	19058	19100	19000	0	19100
Bearing Trees	3876	3887	3896	3876	0	3896
Non-Bearing Trees	142	50	122	60	0	40
TOTAL No. Of Trees	4018	3937	4018	3936	0	3936
Production	260	279	270	275	0	190
Imports	0	0	0	0	0	0
TOTAL SUPPLY	260	279	270	275	0	190
Exports	3	3	4	3	0	2
Fresh Dom. Consumption	231	249	240	245	0	169
Processing	26	27	26	27	0	19
TOTAL DISTRIBUTION	260	279	270	275	0	190

Tangerine production is forecast at 190,000 MT for MY 1998/99, a decrease compared to MY 1997/98 due to the dry weather problems that affected Mexico during the first semester of 1998. Irrigated tangerines in Nuevo Leon had less tree stress than other non-irrigated areas like Veracruz. The production estimate for MY 1997/98 has been revised upwards based on newly available information. Production for MY 1996/97 reflects final official data. According to growers in Veracruz, the main tangerine area, there has been almost no growth in area planted because of the high costs of production and low market prices for tangerines. Also, strong competition from other citrus trees prevents expansion of tangerine area. Thus, planted and harvested area estimates for tangerines for MY 1997/98 and the forecast for MY 1998/99 reflect a stable area. The estimates for MY 1996/97 planted and harvested area reflect final official data. Official data indicates two varieties of this fruit: tangerines and mandarins. There are approximately 13,500 has. of mandarins and about 5,800 has. of tangerines. Production and basic input costs for tangerines are similar or slightly less than those for oranges. (See Production Oranges). However, higher input prices have resulted in reduced input utilization and cultural practices.

The main tangerine varieties grown in Mexico are: Dancy, Monica, King, Mandarin, Nova, Fairchild, Orlando, and Murcott. The main producing states are Veracruz with a 65 percent, Nuevo Leon with 23 percent, and San Luis Potosi with 5 percent of total production.

Average tangerine yields in Mexico for MY 1997/98 are estimated at 14.3 MT/Ha, while the average yield

for MY 1998/99 is forecast to be lower at 9.9 MT/Ha due to the effects of the dry weather conditions of the first semester of 1998. Yields vary depending on production and weather conditions from 9 MT/Ha to 35 MT/Ha. Grower prices at the orchard level are currently very good because of a lower tangerine supply. Prices range from $1,500 to $2,000 pesos/MT (US$149 to $198.00/MT) compared to $800.00 pesos/MT (US$102/MT) for MY 1997/98.

CONSUMPTION, FRESH TANGERINES

Mexican tangerine consumption is forecast to decrease for MY 1998/99 due to expected lower supplies and higher prices. MY 1996/97 and MY 1997/98 consumption data has been revised upward based on new information. Domestic consumers prefer fresh tangerines and fresh tangerine juice to any other type of processed tangerine product. Producers indicate that about 10 percent of fresh tangerines go for processing, but this also depends on the international market. Currently, tangerines at the wholesale market are sold at $2.30 pesos/Kg, while the retail market sells tangerines at $5.00 pesos/Kg or more.

TRADE, TANGERINES

Tangerine exports have been regularly about 3,500 to 4,000 MT for the last three years, however, due to the weather problems that affected tangerines, exports are forecast at under 3,000 MT for MY 1998/99. The rest of the production is absorbed by the domestic market. According to growers, exports have not increased because of importing countries' phytosanitary concerns and Methyl Bromide treatment that damages the fruit for export purposes. A project, however, is in place in Montemorelos, Nuevo Leon, to treat citrus exports with hot forced air in special chambers, as an option to eliminate the use of Methyl Bromide. The United States is by far the largest importer of Mexican tangerines. Mexico's tariff rate on imported tangerines from the United States is zero under the NAFTA. The United States' current tariff rate on tangerines is 1.10 US cents/Kg for tangerines entering between October 1 and April 30. For tangerines entering from May 1 to September 30, the duty is now zero. Unless there are advances in the elimination of the phytosanitary problems facing Mexican tangerine exports and an alternative treatment to Methyl Bromide, it is unlikely that sales will expand even with the more favorable NAFTA tariffs.

TRADE MATRIX

TANGERINE & MANDARINS		UNITS: ***METRIC TONS***	
EXPORTS FOR 1997 TO:		**IMPORTS FOR 1997 FROM:**	
U.S.	4,257	U.S.	384
OTHER		OTHER	
GUATEMALA	82		
TOTAL OF OTHER	82	TOTAL OF OTHER	0
OTHERS NOT LISTED	139	OTHERS NOT LISTED	0
GRAND TOTAL	4,478	GRAND TOTAL	384

SOURCE: 1997 Global Trade Information Services, Inc.

PRODUCTION, FRESH GRAPEFRUIT

(Has) (1000 Trees) (MT 1000)

PSD Table						
Country:	Mexico					
Commodity:	Fresh Grapefruit					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		11/1996		11/1997		11/1998
Area Planted	11200	11592	11250	11600	0	11700
Area Harvested	10000	9893	10250	9900	0	9900
Bearing Trees	1880	1860	1927	1861	0	1861
Non-Bearing Trees	225	320	188	320	0	338
TOTAL No. Of Trees	2105	2180	2115	2181	0	2199
Production	230	222	245	235	0	180
Imports	1	1	1	1	0	1
TOTAL SUPPLY	231	223	246	236	0	181
Exports	3	2	4	2	0	2
Fresh Dom. Consumption	192	187	202	199	0	154
Processing	36	34	40	35	0	25
TOTAL DISTRIBUTION	231	223	246	236	0	181

Mexico's grapefruit production for MY 1998/99 is forecast to be lower compared to MY 1997/98, at 180,000 MT, due to dry weather conditions that affected grapefruit flowering during the first semester of 1998. As in other citrus, this year the size of the grapefruit that is being harvested is also smaller than average. The MY 1997/98 production estimate has been revised downward based on newly available information, but still reflects an increase in production compared to MY 1996/97 due to good weather conditions. Estimated production for MY 1996/97 reflects final official data.

Grapefruit planted area has remained almost constant for the last three years because of the high cost of production. New planted areas in central Veracruz have been off-set by abandoned areas in other parts of the same state. Most of the new planted areas are geared towards the European export market. Planted area for grapefruit is forecast at 11,700 hectares for MY 1998/99. Estimated planted and harvested area for MY 1996/97 and 1997/98 has been updated based on more recent official data. There are two types of grapefruit planted in Mexico: the red table varieties produced in Tabasco, Michoacan, Nuevo Leon and Veracruz for export to the United States and Europe as fresh fruit; and the white fleshed varieties produced in Tamaulipas and Veracruz for juice production or for peeled slices. According to growers, planting of red varieties are increasing because of the export market preferences.

Overall average yield for MY 1998/99 is estimated at 18 MT/Ha, lower from MY 1997/98 yields of 23 MT/Ha due to the effects of the dry weather. Veracruz accounts for about 70 percent of Mexican grapefruit production and has the highest yield in the country with 20 to 25 MT/Ha. Nuevo Leon follows with yields of 18 to 20

MT/Ha. In other states, yields vary from 10 to 15 MT/Ha. Grower prices in 1998 are about $1,600- $1,800 pesos/MT compared to $800-$1,000 pesos/MT in 1997 for the red varieties.

CONSUMPTION, FRESH GRAPEFRUIT

Grapefruit consumption in Mexico is forecast to be lower for MY 1998/99 due to lower supplies and higher prices. Prices for November 1998 at the wholesale market in Mexico City are about $2.50 pesos/Kg compared to $1.40 pesos/Kg in November 1997. Growers indicate that there is not a premium on quality, as consumers are more interested in lower prices. This trend also affects grapefruit consumption versus other more accessible fruit like oranges. Michoacan (650 Has) has developed areas with red varieties that can be harvested in June-July, earlier than Veracruz (August) and enabling producers to command higher prices in the domestic market. Estimated consumption for MY 1996/97 and 1997/98 has been adjusted based on more recent available information.

TRADE, GRAPEFRUIT

Grapefruit exports for MY 1998/99 are forecast to be similar to MY 1997/98 or slightly lower due to lower supplies. Although grapefruit exports are geared to the European and Japanese markets, exports are still small. Export estimates for MY 1996/97 have been revised downward based on final official data. According to sources, most of the imported grapefruit from the U.S. is further processed to reexport to the U.S. and European markets. The following is the NAFTA tariff rate schedule for 1998.

NAFTA GRAPEFRUIT TARIFF SCHEDULE FOR 1998

SEASON	TARIFF MEXICO	TARIFF U.S.
August 1 to September 30	0.00 US cents/Kg	0.0 US cents/Kg
October 1 to October 31	1.45 US cents/Kg	0.90 US cents/Kg
November 1 to July 31	1.45 US cents/Kg	1.45 US cents/Kg

With the preferential tariffs under the NAFTA, export opportunities for Mexican grapefruit will be greater. However, any substantial increase will depend upon advances in the phytosanitary area. While likely to expand, U.S. grapefruit exports to Mexico will still be relatively small.

TRADE MATRIX

GRAPEFRUIT		UNITS: ***METRIC TONS***	
EXPORTS FOR 1997 TO:		**IMPORTS FOR 1997 FROM:**	
U.S.	100	U.S.	1,797
OTHER		OTHER	
NETHERLANDS	674		
TOTAL OF OTHER	674	TOTAL OF OTHER	0
OTHERS NOT LISTED	97	OTHERS NOT LISTED	0
GRAND TOTAL	871	GRAND TOTAL	1,797

SOURCE: 1997 Global Trade Information Services, Inc.

PRODUCTION, FRESH LEMONS

(Has) (1000 Trees) (MT 1000)

PSD Table						
Country:	Mexico					
Commodity:	Fresh Lemons					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		11/1996		11/1997		11/1998
Area Planted	3000	2800	3	3000	0	3120
Area Harvested	2000	2000	2	2000	0	2120
Bearing Trees	520	520	520	520	0	550
Non-Bearing Trees	110	208	110	260	0	260
TOTAL No. Of Trees	630	728	630	780	0	810
Production	20	20	20	21	0	11
Imports	1	1	1	1	0	1
TOTAL SUPPLY	21	21	21	22	0	12
Exports	0	0	0	0	0	0
Fresh Dom. Consumption	1	1	1	1	0	1
Processing	20	20	20	21	0	11
TOTAL DISTRIBUTION	21	21	21	22	0	12

Mexican fresh lemon production for MY 1998/99 is forecast at 11,000 MT, lower than MY 1997/98 levels due to the effects of the dry weather conditions that prevailed during the first semester of 1998. Tamaulipas is the major fresh lemon producing state in Mexico and was the only commercial lemon production area, until this year when the southern state of Yucatan began to produce lemons to supply the needs of a soft drink company. Estimated production for MY 1997/98 has been revised upwards based on recent available information. Area planted is expected to expand due to long term contracts with a private company. Most lemons are processed according to a single private company's needs. Lemon yields are expected to fall to about 5 MT/Ha for MY 1998/99. Average yields range from 10 to 13 MT/Ha.

CONSUMPTION, FRESH LEMONS

Traditionally, most Mexican lemons are processed to obtain lemon oil as the principal product and lemon juice as a by-product. Both are exported to the United States. The lemon oil is used in soft drink production.

Trade, Fresh Lemons

There is no significant trade of this type of lemon as it is all consumed by the industry as ingredients and flavoring.

PRODUCTION, FRESH CONCENTRATE ORANGE JUICE (FCOJ)

(MT 1000)

PSD Table						
Country:	Mexico					
Commodity:	Orange Juice					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Deliv. To Processors	450000	450000	650000	650000	0	300000
Beginning Stocks	3000	3000	3000	3000	0	3000
Production	45000	45000	66000	65000	0	33000
Imports	1	1	1	1	0	1
TOTAL SUPPLY	48501	48501	69001	68001	0	36001
Exports	42300	42300	62000	62000	0	30000
Domestic Consumption	3201	3201	4001	3001	0	3001
Ending Stocks	3000	3000	3000	3000	0	3000
Total Distribution	48501	48501	69001	68001	0	36001

Frozen concentrate orange juice (FCOJ) production for MY 1999 (January-December) is forecast at 33,000 MT, lower than MY 1998 levels due to expected lower availability of fruit for processing. Juice production also depends heavily on the international price of FCOJ. Contrary to last years' conditions, the international price for FCOJ is presently higher allowing for larger margins for the industry to buy fruit. The volume of oranges available in the market, however, is forecast to be lower for MY 1999, and consequently prices for fresh oranges will be higher. Thus, the processing companies are forecasting less FCOJ production. Production for MY 1998 has been revised downward based on recent available information.

The general uncertainty of the FCOJ industry has not changed from previous years. Unless FCOJ export prices are good, enabling processors to increase the price paid to fruit producers, it is unlikely that juice concentrate production will increase dramatically. Due to the financial problems of the processing industry, there has been a concentration of ownership.

The prices for FCOJ futures contracts for 1999 deliveries are very good at US$1.10-1.20/lb compared to late 1998 price of US$0.90 - 1.08/lb. It is still uncertain at what prices the industry will begin buying oranges, but growers are expecting a range of $400-$500 pesos/MT FOB plant. Depending on the fresh market prices, prices for oranges for processing could even go higher to $600-$700 pesos/MT by the end of the season.

CONSUMPTION, FCOJ

The majority of Mexican consumers prefer and demand fresh squeezed juice instead of processed orange juice. Thus, FCOJ consumption in Mexico is expected to remain at almost the same level in MY 1999 as in MY 1998 at 3,000 MT. The consumption estimate for MY 1998 has been revised downwards based on recent available data.

In general, domestic consumption has not been increasing because of the availability of fresh oranges in the domestic market. Also, consumer purchasing power has been affected by the recent economic problems and the peso devaluation. Thus, FCOJ consumption is not expected to increase dramatically. Most of the orange juice produced in Mexico goes to the export market. According to processors, there are usually about 3,000 MT carryover of FCOJ from one year to the other.

TRADE, FCOJ

Exports of FCOJ for MY 1999 are forecast to decrease to approximately to 30,000 MT from the previous year's level due to lower production expectations in response to lower availability of fruit. Consequently, according to industry sources, Mexico might not be able to fulfill the 1999 U.S. FCOJ quota of about 33,000 MT. The United States is the main market for Mexican FCOJ, with Japan and European countries also becoming important markets for this product. Data for imported and exported FCOJ remains unchanged for MY 1997 and 1998.

Under NAFTA, Mexico has access to the United States market for 40 million gallons of FCOJ (single strength equivalent) at one-half of the Most Favored Nation (MFN) tariff rate. Any FCOJ imports above the quota will enter the United States at the MFN rate. This quota will be phased-out over 15 years. Exporters of FCOJ need a certificate issued by the Mexican government to be able to export to the U.S. under the NAFTA provisions. The Mexican government allocates the quota among most of the producing companies to give them an equal opportunity to share from the benefits of NAFTA. When a company can not cover the designated quota, the Mexican government reallocates the uncovered share to other companies.

TRADE MATRIX

FROZEN ORANGE JUICE		UNITS: ***KILOGRAMS* & LITERS*****	
EXPORTS FOR 1996 TO:		**IMPORTS FOR 1996 FROM:**	
U.S.	31,604,337*	U.S.	87,740**
OTHER		OTHER	
FRANCE	3,280,696*		0
TOTAL OF OTHER	3,280,696*	TOTAL OF OTHER	0
OTHERS NOT LISTED	2,683,942*	OTHERS NOT LISTED	116**
GRAND TOTAL	37,568,975*	GRAND TOTAL	87,856**

SOURCE: Global Trade Information Services, Inc.

FROZEN ORANGE JUICE		UNITS: ***KILOGRAMS* & LITERS*****	
EXPORTS FOR 1997 TO:		**IMPORTS FOR 1997 FROM:**	
U.S.	35,943,299*	U.S.	205,041**
OTHER		OTHER	
COLOMBIA	1,571,991*	THAILAND	954**
TOTAL OF OTHER	1,571,991*	TOTAL OF OTHER	954**
OTHERS NOT LISTED	1,723,964*	OTHERS NOT LISTED	1,046**
GRAND TOTAL	39,239,254*	GRAND TOTAL	207,041**

SOURCE: Global Trade Information Services, Inc.